Newfoundland Labrador

Government of Newfoundland and Labrador
Department of Industry, Energy and Technology
Office of the Deputy Minister

March 04, 2021

Ms. Paola Mellow
Executive Director
Low Carbon Fuels Division
Environment and Climate Change Canada
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Dear Ms. Mellow:

Re: Clean Fuel Standard Proposed Regulations – March 4th Feedback Deadline

Newfoundland and Labrador has committed to reducing its carbon emissions. It has demonstrated this commitment through signing the Pan-Canadian Framework on Clean Growth and Climate Change, committing to net-zero emissions by 2050, implementing a provincial carbon pricing system covering more than 82 per cent of provincial GHG emissions, and investing in the Muskrat Falls hydroelectric project, making the Province's electricity 98% renewable.

To continue provincial efforts to reduce carbon emissions, the Department of Industry, Energy and Technology (IET), previously the Department of Natural Resources, has been actively engaging with Environment and Climate Change Canada (ECCC) on the proposed Clean Fuel Standard (CFS). To date, IET has provided numerous rounds of written and verbal comments to ECCC to ensure the effects, costs and benefits of the CFS on Newfoundland and Labrador are identified and fair to the Province.

Given that the Government of Newfoundland and Labrador is currently operating under the caretaker provision due to its ongoing provincial election, the Province is not in a position to provide formal comments on the proposed CFS regulation published in Canada Gazette Part I on December 18, 2020. However, given the comment period expires March 4, 2021 and the public interest in these proposed regulations, IET officials offer the following initial fact-based commentary, identifying how the proposed CFS will have a negative disproportionate impact on Atlantic Canada, with the most significant impact on Newfoundland and Labrador and its residents. This information has been extracted from ECCC's analysis, including its Regulatory Impact Analysis Statement (RIAS), published in the December 18, 2020 Canada Gazette:

- Largest Gross Domestic Product Reduction: proportionally, Newfoundland and Labrador will be the most negatively impacted province or territory by the proposed Regulations, with the CFS reducing Newfoundland and Labrador's gross domestic product by 0.7 percent in 2030, or an estimated $243 million.

- Greatest Home Heating Costs: “Atlantic Provinces use more LFO [light fuel oil] for home heating than other provinces.” Atlantic Canada accounts for approximately 5 per cent of Canada’s population, but 55 per cent of Canada’s light fuel oil consumption. According to Statistics Canada data, Atlantic Canadians already have the highest levels of fuel poverty in the country, at 13 per cent, versus the Canadian average of 8 per cent. Given the proposed CFS will only include liquid fossil fuel, other provinces in Canada that rely on natural gas or coal for heating will not experience the same level of impact on heating fuel requirements and costs. As noted in the RIAS, “for households in Atlantic Provinces that rely on home heating oil, heating cost increases could range from about $95 to $334 in 2030” and that “increased transportation fuel and home heating expenses would disproportionately impact lower and middle-income households.” Further, the RIAS notes that seniors living on fixed incomes may also face higher costs resulting from the proposed regulations, with it being “most acute for seniors living in the Atlantic provinces, where they account for a higher share of the total population compared to other Canadian provinces and are more likely to experience some of the highest energy expenditures in Canada proportional to income.”

- Fewer Credit Generating Opportunities: “Atlantic Canada is estimated to have fewer opportunities to create credits from actions along the lifecycle of fuels.” As such, Newfoundland and Labrador will have limited opportunities to meet its obligations using the credit market ($300 per tonne maximum) and will have to use the more expensive options of emission reduction funding programs ($350 per tonne maximum) or deferral (up to 10 per cent for two years with 20 per cent interest).

- Low Electric Vehicle Uptake: “Baseline EV and low-carbon fuel uptake in Atlantic Canada is low in comparison to other provinces. This lack of baseline credits affects Newfoundland and Labrador in particular given that the province does not have a blending requirement in place and it was exempt under the federal RFR [Renewable Fuel Regulations].”

Additionally, Newfoundland and Labrador has invested heavily to reduce the carbon intensity of its electricity supply and grid. Correspondingly, electrification of the provincial economy is a key energy priority given that 98 per cent of Newfoundland and Labrador’s electricity will come from clean renewable energy by 2021. The proposed structure of the CFS limits the ability to use this clean renewable electricity grid to generate credits. For example, heat pump installation and switching from fossil fuel to low carbon intensity power from the provincial grid are currently ineligible for recognition under the proposed CFS.

The foregoing is not intended to replace the Province's previously communicated positions on this matter. It is intended to provide perspective on certain factual impacts and highlight the importance that they be taken into account. The Government of Newfoundland and Labrador will provide further analysis and comments on the proposed CFS regulations following the provincial election and end of the caretaker provision period. Until this occurs, we request that ECCC review its own analysis to ensure the CFS does not impact any province or territory disproportionately.

Sincerely,

Ted Lomond
Deputy Minister